

REDACTED - FOR PUBLIC INSPECTION

July 1, 2015

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

ATTENTION: WIRELINE COMPETITION BUREAU

RE: Form 481 ETC filing pursuant to Sections 54.313 and 54.422
SAC 300659 Telephone Service Company
Connect America Fund WC Dockets 10-90, 11-42 and 14-58

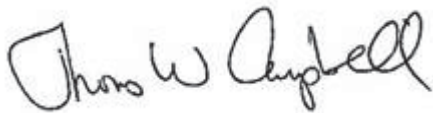
Dear Ms. Dortch:

Pursuant to Sections 54.313 and 54.422 of Commission's Rules, Telephone Service Company, OH, SAC 300659 is filing its Form 481 High Cost and Low-Income Annual Report.

Telephone Service Company seeks confidential treatment under the Protective Order in this proceeding for Section 54.313(f)(2) financial information in the 481 filing ¹ and for Section 54.202(a) 5 Year Service Quality Improvement Plan annual progress report and service area progress mapping information required as part of the 481 filing pursuant to the Request for Confidential Treatment attached to this filing. Pursuant to the Protective Order, one copy of the confidential document and two copies of the redacted version are provided. The Redacted version is also being filed on the Electronic Comment Filing System.

Please address any correspondence regarding this transmittal to the attention of Tom Campbell at the following address, e-mail or telephone number.

Sincerely,



Tom Campbell
Telecommunications Consultant
tcampbell@otcpas.com
651-621-8511 (v)
651-483-2467 (f)

Enclosures

CC: Mr. Charles Tyler, FCC Telecommunications Access Policy Division (two copies confidential)

¹ See Protective Order 27, WC Docket Nos. 10-90 et al, Rec 14231 rel. November 16 ("Order")

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010> Study Area Code	300659
<015> Study Area Name	TELEPHONE SERVICE
<020> Program Year	2016
<030> Contact Name: Person USAC should contact with questions about this data	Mark Aaberg
<035> Contact Telephone Number: Number of the person identified in data line <030>	3208477103 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	maaberg@hcinet.net

ANNUAL REPORTING FOR ALL CARRIERS		54.313 Completion Required	54.422 Completion Required
		(check box when complete)	
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<300> Unfulfilled Service Requests (voice)	0	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<310> Detail on Attempts (voice)	<div></div> (attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)	0	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<330> Detail on Attempts (broadband)	<div></div> (attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)			
<410> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<420> Mobile	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<440> Fixed	0.0	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<450> Mobile	0.0	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> <div>3006590H510.pdf</div> (attached descriptive document)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> <div>3006590H610.pdf</div> (attached descriptive document)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input type="radio"/> <input checked="" type="radio"/>	(if yes, complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<1000> Voice Services Rate Comparability Certification	Yes <input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1010> <div>3006590H1010.pdf</div> (attach descriptive document)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1100> Certify whether terrestrial backhaul options exist (Yes or No) <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

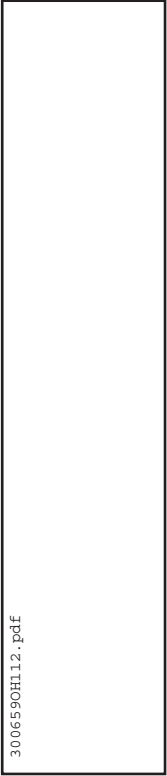
<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(100) Service Quality Improvement Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	300659
<015>	Study Area Name	TELEPHONE SERVICE
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	
	Mark Aaberg	
<035>	Contact Telephone Number - Number of person identified in data line <030>	3208477103 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	maaberg@hcinet.net
<110>	Has your company received its ETC certification from the FCC?	<input type="radio"/> (yes / no) <input checked="" type="radio"/>
<111>	If your answer to Line <110> is yes, do you have an existing "5 year plan" filed with the FCC?	<input type="radio"/> (yes / no) <input type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.



Name of Attached Document

Please select the appropriate responses below (Yes, No, Not Applicable) to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to §54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113>	Maps detailing progress towards meeting plan targets	<input type="radio"/> Yes
<114>	Report how much universal service (USF) support was received	<input type="radio"/> Yes
<115>	How much (USF) was used to improve service quality and how support was used to improve service quality	<input type="radio"/> Yes
<116>	How much (USF) was used to improve service coverage and how support was used to improve service coverage	<input type="radio"/> Yes
<117>	How much (USF) was used to improve service capacity and how support was used to improve service capacity	<input type="radio"/> Yes
<118>	Provide an explanation of network improvement targets not met in the prior calendar year.	<input type="radio"/> Yes

**(200) Service Outage Reporting (Voice)
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<030>	Contact Name - Person USAC should contact regarding this data	Mark Aaberg
<035>	Contact Telephone Number - Number of person identified in data line <030>	3208477103 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	maaberg@hcinet.net

[illegible]

**(800) Operating Companies
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	300659
<015>	Study Area Name	TELEPHONE SERVICE
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Mark Aaberg
<035>	Contact Telephone Number - Number of person identified in data line <030>	3208477103 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	maaberg@hcinet.net
<810>	Reporting Carrier	Telephone Service Company
<811>	Holding Company	Hanson Communications, Inc.
<812>	Operating Company	Telephone Service Company

[illegible]

(900) Tribal Lands Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<015>	Study Area Name	TELEPHONE SERVICE
<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Mark Aaberg
<035>	Contact Telephone Number - Number of person identified in data line <030>	3208477103 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	maaberg@icinet.net

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

(1100) No Terrestrial Backhaul Reporting		FCC Form 481	
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819	
		July 2013	

<010>	Study Area Code	300659
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<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Mark Aaberg
<035>	Contact Telephone Number - Number of person identified in data line <030>	3208477103 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	maaberg@hcinet.net

<1120> Please confirm whether terrestrial backhaul options exist within the supported area pursuant to § 54.313(g) (Yes, No).

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

(1200) Terms and Condition for Lifeline Customers

Lifeline Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	300659
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<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Mark Aaberg
<035>	Contact Telephone Number - Number of person identified in data line <030>	3208477103 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	maaberg@hcinet.net

<1210>	Terms & Conditions of Voice Telephony Lifeline Plans	<div>300659OH1210.pdf</div>	Name of Attached Document
<1220>	Link to Public Website	HTTP	

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221>	Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	<input checked="" type="checkbox"/>
<1222>	Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223>	Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>

(2000) Price Cap Carrier Additional Documentation

Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<010>	Study Area Code	
<015>	Study Area Name	300659
<020>	Program Year	TELEPHONE SERVICE
<030>	Contact Name - Person USAC should contact regarding this data	2016
<035>	Contact Telephone Number - Number of person identified in data line <030>	MARK AABERG
<039>	Contact Email Address - Email Address of person identified in data line <030>	3206477103 ext.
		maaberg@acinet.net

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2010>

2nd Year Certification {47 CFR § 54.313(b)(1)i}

<2011a>

3rd Year Certification {47 CFR § 54.313(b)(1)ii}

<2011b>

Attachment {47 CFR § 54.313(b)(1)ii}

Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}

<2012>

2013 Frozen Support Calculation {47 CFR § 54.313(c)(1)}

<2013>

2014 Frozen Support Calculation {47 CFR § 54.313(c)(2)}

<2014>

2015 Frozen Support Calculation {47 CFR § 54.313(c)(3)}

<2015>

2016 and future Frozen Support Calculation {47 CFR § 54.313(c)(4)}

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016>

Certification Support Used to Build Broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017>

3rd year Broadband Service Certification

<2018>

5th year Broadband Service Certification

<2019>

Interim Progress Certification

<2020>

Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

Name of Attached Document(s) Listing Required Information

<2021>

Interim Progress Community Anchor Institutions

(3000) Rate Of Return Carrier Additional Documentation

Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	maaberg@hcl.net.net

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3010)

Progress Report on 5 Year Plan

Milestone Certification (47 CFR § 54.313(f)(1)(ii))

3006590H3010.pdf

Name of Attached Document Listing Required Information

(3011)

Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313 (f)(1)(ii), the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

(3012)

Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))

Name of Attached Document Listing Required Information

(3013)

Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))

(Yes/No)

(3014)

If yes, does your company file the RUS annual report

(Yes/No)

Please check these boxes to confirm that the attached document(s), on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

(3015)

Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)

(3016)

Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3017)

If the response is yes on line 3014, attach your company's RUS annual report and all required documentation

Name of Attached Document Listing Required Information

(Yes/No)

(3018)

If the response is no on line 3014, Is your company audited?

(Yes/No)

If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains

(3019)

Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications

☒

(3020)

Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

☒

(3021)

Management letter and audit opinion issued by the independent certified public accountant that performed the company's financial audit

☒

If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

(3022)

Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,

(3023)

Underlying information subjected to a review by an independent certified public accountant

(3024)

Underlying information subjected to an officer certification.

(3025)

Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

3006590H3026.pdf

Name of Attached Document Listing Required Information

(3026)

Attach the worksheet listing required information

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<039>	Contact Email Address - Email Address of person identified in data line <030>	maaberg@hcl.net.net

Financial Data Summary	
(3027) Revenue	27961608
(3028) Operating Expenses	27713013
(3029) Net Income	892568
(3030) Telephone Plant In Service(TPIS)	96755822
(3031) Total Assets	49155346
(3032) Total Debt	20785714
(3033) Total Equity	26383006
(3034) Dividends	3105251

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	300659
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<020>	Program Year	2016
<030>	Contact Name - Person USAC should contact regarding this data	Mark Aaberg
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<039>	Contact Email Address - Email Address of person identified in data line <030>	maaberg@hcinet.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: TELEPHONE SERVICE	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 06/25/2015
Printed name of Authorized Officer: Lonnie Pederson	
Title or position of Authorized Officer: COO	
Telephone number of Authorized Officer: 4197392227 ext.	
Study Area Code of Reporting Carrier: 300659	Filing Due Date for this form: 07/01/2015
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**Certification - Agent / Carrier
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

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<015> Study Area Name	TELEPHONE SERVICE
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<030> Contact Name - Person USAC should contact regarding this data	Mark Aaberg
<035> Contact Telephone Number - Number of person identified in data line <030>	3208477103 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	maaberg@hcinet.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

PROGRESS REPORT ON SERVICE QUALITY IMPROVEMENT PLAN

OVERVIEW

This document contains the required responses for Section (100) Service Quality Improvements Reporting within the FCC Form 481. It is in compliance with 54.313(a)(1) adopted in the FCC's USF/ICC Transformation Order (11-161) and incorporates all further clarifications in subsequent Reconsideration Orders, as applicable, that were in effect at the time the Annual Report was due by Rule, to the requisite regulatory authorities.

Per the Frequently Asked Question and Response for filing Form 481 on the USAC website No. 48 "The progress report this year will cover 2015 up to the filing date. Next year's progress report, due July 1, 2016, will address calendar year 2015. The year after that, for the filing due July 1, 2017, the progress report would address calendar year 2016, etc. Though not required, carriers may note revisions to their plan for years 2016-2019 as part of the current progress report being submitted."

The Company operates in a dynamic, not static environment. As a result, certain network targets identified in its initial 5 Year Network Improvement Plan filed in 2014, may be modified in response to regulatory decisions that have been subsequently adopted, and as their implications upon the Company's financial viability in providing the required services and service level quality become known.

Targets not met or changed since the initial 5 Year Plan filing are identified and reasons provided for those changes. It has been noted where projects that require outside construction have not been started due to the winter/spring construction conditions for operating companies in the Midwest.

In order to support the reporting requirements for State Public Utilities Commissions, the Company has included a summary attachment that reflects the actual not projected capital additions,

operating expenses, and universal support that includes information for 2014 in a format previously provided.

LINE 113 – MAPS DETAILING PROGRESS TOWARDS MEETING PLAN TARGETS

See Attached PDF DOCUMENT of SERVICE AREA MAP

LINE 114 thru 117 UNIVERSAL SERVICE

I. The Company Has Used and Will Use Universal Service Support Only For the Intended Purposes

Section 254(e) of the Communications Act of 1934, as amended requires ETCs to use Universal Service support (“USF”) “only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”¹ Pursuant to Section 54.314 of the FCC’s rules, in order for state-designated ETCs to receive USF for the coming year, states must annually file certifications by July 1 stating that all federal high-cost support provided to such carriers within the state “was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”² ETCs not designated by a state must file similar certifications with the FCC.³

In its *USF/ICC Transformation Order*, the FCC clarified that prior to making the Section 254(e) certifications, states should conduct a “rigorous examination of the factual information” contained in the annual Section 54.313 reports, of which the five year network improvement plan and annual progress reports are a part, in determining whether they can certify that carriers’ support has been used and will be used only for the purpose for which the support was intended.⁴ The FCC said that it would also use the reports to verify certifications filed by ETCs that are not state-

¹ 47 U.S.C. § 254(e).

² 47 C.F.R. § 54.314(a).

³ 47 C.F.R. § 54.314(b).

⁴ See *USF/ICC Transformation Order* at Para. 612.

designated.⁵ In this context, the Commission stated, “[i]n light of the public interest obligations we adopt in this Order, a key component of this [Section 254(e)] certification will now be that support is being used to maintain and extend modern networks capable of providing voice and broadband service.”⁶

Accordingly, given the critical role the network improvement plan and the progress reports will have in the annual Section 254(e) certification process, the Company’s plan and progress reports will demonstrate not only how the Company has used and will use USF not only for improvements and upgrades, but also for the provision and maintenance of the facilities and services to which the support was intended.

As explained under Section I above, in addition to improvements and upgrades, the Company uses USF as it was intended for the provision and maintenance of its network. Essentially, under the existing rules and processes, the federal USF received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the recovery of expenditures of rural incumbent local exchange carriers incurred in the provision, maintenance and upgrading of their provision of facilities and services for which the USF is intended. The Company depends upon its receipt and utilization of federal universal service support to provide rural telephone customers with affordable and quality voice and broadband services. Accordingly, in addition to the capital expenditures listed above, the Company also has operational expenditures, which are associated with the provision, and maintenance of the facilities and services for which it uses USF as provided for in Section 254(e).

Per the Universal Service Administrative Company (USAC) instructions and frequently asked questions, this report provides the USF as available for the period up to this filing. The total amount received in USF support funds and breakdown of the funding to this point is:

⁵ *Id.*

⁶ *Id.* (emphasis supplied).

Wire Center	USF - 2015		Universal Service Support was used for:					
	January - April		Capital Expenses			Operating Expenses		
	Received		Service	Capacity	Coverage	Service	Capacity	Coverage
Wapakoneta	\$	326,387	\$ -	\$ -	\$ -	\$ 326,387	\$ -	\$ -
Cridersville	\$	59,873	\$ -	\$ -	\$ -	\$ 59,873	\$ -	\$ -
Total	\$	386,260	\$ -	\$ -	\$ -	\$ 386,260	\$ -	\$ -

LINE 118 – EXPLANATION OF NETWORK IMPROVEMENT TARGETS PROGRESS REPORT

2015 PLAN YEAR PROGRESS REPORT BY WIRE CENTER

Company Name: Telephone Service Company
Wire Center: Wapakoneta 419-738

Project #	Wire Center	Description of Capital Improvement	Estimated Population Served by Improvement	Start Date	Completion Date	Estimated Capital Additions					YTD - Actuals
						2015	2016	2017	2018	2019	
1	Wapakoneta 419-738	Broadband Access gear	750	6/1/2014	10/15/2018			\$ 67,500	\$ 67,500		\$ -
2	Wapakoneta 419-738	Optical Drops and backbone fiber	750	6/1/2014	9/30/2019			\$ 375,000		\$ 375,000	\$ -
3	Wapakoneta 419-738	Switching	750	6/1/2016	12/31/2018		\$ 37,500		\$ 37,500		\$ -
4	Wapakoneta 419-738	Broadband Access gear	1,100	6/1/2014	12/31/2018		\$ 99,000		\$ 99,000		\$ -
5	Wapakoneta 419-738	Optical Drops and backbone fiber	1,100	6/1/2015	10/15/2018	\$ 550,000			\$ 550,000		\$ -
6	Wapakoneta 419-738	Switching Cost	1,100	6/1/2015	12/31/2017	\$ 55,000		\$ 55,000			\$ -
7	Wapakoneta 419-738	Vehicle		12/1/2014	12/31/2019		\$ 23,000		\$ 25,000	\$ 30,000	\$ -
8	Wapakoneta 419-738	Broadband Access gear	500	6/1/2016	12/31/2019		\$ 45,000	\$ 45,000		\$ 45,000	\$ -
9	Wapakoneta 419-738	Optical Drops and backbone fiber	500	6/1/2016	12/20/2017		\$ 250,000	\$ 25,000			
10	Wapakoneta 419-738	Switching Cost	500	6/1/2016	9/30/2016		\$ 25,000				
11	Wapakoneta 419-738	Broadband Access gear	1,100	6/1/2015	9/30/2015	\$ 99,000					
12	Wapakoneta 419-738	Optical Drops and backbone fiber	1,100	6/1/2016	9/30/2016		\$ 550,000				
13	Wapakoneta 419-738	Switching Cost	1,100	6/1/2017	9/30/2017			\$ 55,000			
14						\$ 704,000	\$ 1,029,500	\$ 622,500	\$ 779,000	\$ 450,000	\$ -

Update:

The 5 year network improvement plan was developed around how much capital would be invested each year into improving services for our customers. Only projects #5, #6, and #11 have start dates in 2015. As of the reporting date, we are in the early stages of implementing those capital expenditures and as indicated have not expended any capital for those projects.

Company Name: Telephone Service Company
Wire Center: Cridersville 419-645

Project #	Wire Center	Description of Capital Improvement	Estimated Population Served by Improvement	Start Date	Completion Date	Estimated Capital Additions					YTD - Actuals
						2015	2016	2017	2018	2019	2015
1	Cridersville 419-645	Broadband Access gear	500	6/1/2014	9/30/2018			\$ 45,000	\$ 45,000		\$ -
2	Cridersville 419-645	Optical Drops and backbone fiber	500	6/1/2015	9/30/2018	\$ 330,000		\$ 330,000	\$ 330,000		\$ -
3	Cridersville 419-645	Switching	500	6/1/2014	9/30/2017			\$ 25,000			\$ -
4	Cridersville 419-645	Broadband Access gear	750	6/1/2015	9/30/2018	\$ 67,500	\$ 67,500		\$ 67,500		\$ -
5	Cridersville 419-645	Optical Drops and backbone fiber	750	6/1/2016	9/30/2019		\$ 495,000			\$ 495,000	\$ -
6	Cridersville 419-645	Switching	750	6/1/2014	9/30/2017			\$ 37,500			\$ -
7	Cridersville 419-645	Broadband Access gear	1,100	6/1/2016	9/30/2016		\$ 99,000				\$ -
8	Cridersville 419-645	Optical Drops and backbone fiber	1,100	6/1/2017	9/30/2017			\$ 375,000			\$ -
9	Cridersville 419-645	Switching	1,100	6/1/2018	9/30/2018				\$ 55,000		\$ -
10											\$ -
						\$ 397,500	\$ 661,500	\$ 812,500	\$ 497,500	\$ 495,000	\$ -

Update: The 5 year network improvement plan was developed around how much capital would be invested each year into improving services for our customers. Only projects #2 and #4 have a start date in 2015. As of the reporting date, we are in the early stages of implementing those capital expenditures and as indicated have not expended any capital for those projects.

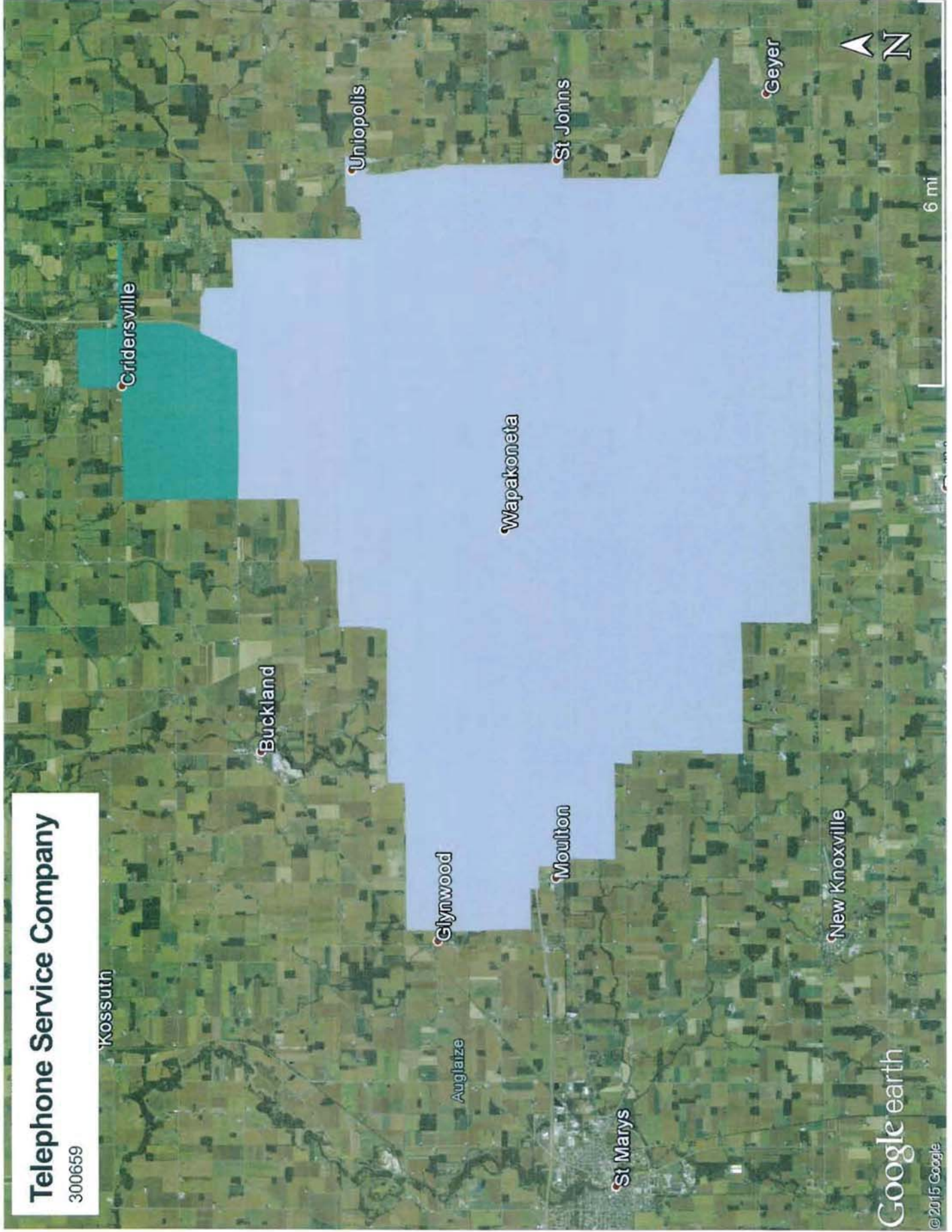
Form 481 Line No. 112 Five Year Network Improvement Plan

Telephone Service Company

[illegible]

Telephone Service Company

300659



Google earth

© 2015 Google

SAC: 300659

State: OH

Telephone Service Company

Form 481 Line No. 510 Compliance with Quality Standards and Consumer Protection

As required by Ohio law, Chapter 4901:1-6 of the Ohio Administrative Code governs the Service Quality Standards and Consumer protections for our customers. Telephone Service Company is in full compliance with sections outlined below. Telephone Service Company files tariffs as required by the Commission of Ohio and uses internal procedures to ensure we remain compliant with all State and Federal rules, including, but not limited to Federal CPNI rules, Red Flag Rules, Truth in Billing Rules and Slamming and Preferred Carrier Freeze rules.

4901:1-6-01	Definitions
4901:1-6-02	Purpose and Scope
4901:1-6-03	Investigation and Monitoring
4901:1-6-04	Application and Notice Filings
4901:1-6-05	Automatic Approval and Notice Filing Process
4901:1-6-06	Suspensions
4901:1-6-07	Customer Notice Requirements
4901:1-6-08	Telephone Company Certification
4901:1-6-09	Eligible Telecommunications Carriers
4901:1-6-10	Competitive Emergency Services Telecommunications Carrier Certification
4901:1-6-11	Tariff Services
4901:1-6-12	Service Requirements for BLES
4901:1-6-13	Warm Line Service
4901:1-6-14	BLES Pricing Parameters
4901:1-6-15	Directory Information
4901:1-6-16	Unfair or Deceptive Acts and Practices
4901:1-6-17	Truth in Billing Requirements
4901:1-6-18	Slamming and Preferred Carrier Freezes
4901:1-6-19	Lifeline Requirements
4901:1-6-20	Discounts for Persons with Communications Disabilities

4901:1-6-21	Termination of Community Voicemail Pilot Program
4901:1-6-22	Inmate Operator Service
4901:1-6-23	Pay Telephone Access Lines
4901:1-6-24	Wireless Service Provisions
4901:1-6-25	Withdrawal of Telecommunications Services
4901:1-6-26	Abandonment
4901:1-6-27	Provider of Last Resort (POLR)
4901:1-6-28	Bankruptcy
4901:1-6-29	Telephone Company Procedures for Notifying the Commission of Changes in Operations
4901:1-6-30	Company Records and Complaint Procedures
4901:1-6-31	Emergency and Outage Operations
4901:1-6-32	Boundary Changes, and Administration of Borderline Boundaries
4901:1-6-33	Excess Construction Charges Applicable to Certain Line Extensions for the Furnishing of Local Exchange Telephone Service
4901:1-6-34	Filing of Contracts, Agreements, or Arrangements Entered into Between Telephone Companies
4901:1-6-35	Filing of Reports by Telephone Companies Subject to the Federal Communications Commission
4901:1-6-36	Telecommunication Relay Services Assessment Procedures
4901:1-6-37	Assessments and Annual Reports

SAC: 300659

State: OH

Telephone Service Company

Form 481 Line No. 610 Description of Functionality in Emergency Situations

Telephone Service Company is in full compliance of Ohio rule 4901:1-6-3, "Emergency and Outage Conditions" which is outlined below. Telephone Service Company has permanently installed a back-up generator for each central office and maintains adequate portable generators for remote serving stations. Employees remain informed as to the procedures to be followed in emergency situations based on the guidance in our written emergency plan.

4901:1-6-3

- (A) Each facilities-based local exchange carrier (LEC) shall design, operate, and maintain its facilities to continue to provide customers with the ability to originate and receive calls at all times. The commission will utilize existing FCC rules applicable to emergency and outage operations. Companies shall submit outage reports utilizing, at the company's discretion, either existing FCC reports or a format determined by the commission.
- (B) Each facilities-based LEC shall submit, within two hours of discovery, to the commission's outage coordinator and when appropriate, the news media in the affected area, a notification that it has experienced an outage, whenever that outage occurs on any facility that it owns, operates, leases or otherwise utilizes and is both:
- (1) Expected to last for a period in excess of thirty minutes.
 - (2) Potentially affects at least nine hundred thousand user minutes in the incumbent local calling area.
- (C) Each facilities-based LEC shall report, by telephone or electronic means, a disruption of 9-1-1 services, which impairs 9-1-1 service within a given county 9-1-1 system, immediately to each county 9-1-1 public safety answering point, to the Ohio 9-1-1 coordinator, and to the news media in the affected area, when appropriate.
- (D) Each facilities-based LEC experiencing a loss of communications or selective routing to a public safety answering point, as a result of an outage described under paragraphs (B) and (C) of this rule, shall also notify, as soon as possible, by telephone or electronic means, any official who has been designated by the management of the affected 9-1-1 facility as the LEC's contact person for communication outages at that facility; and the LEC shall convey to that person all available information that may be useful to the management of the affected facility in mitigating the effects of the outage on efforts to communicate with that facility.
- (E) Each facilities-based LEC experiencing an outage described under paragraphs (B) and (C) of this rule, shall electronically submit to the commission's outage coordinator the same information as that provided to the FCC or the following information:

- (1) A notification that it has experienced a outage, which shall include the name of the reporting entity, the date and time of the onset of the outage, a brief description of the problem, the particular service affected, the geographic area affected by the outage, the number of customers affected, an estimate of when the service, including 9-1-1, will be restored, and a contact name and telephone number by which the commission's outage coordinator may contact the reporting entity.
 - (2) Not later than seventy-two hours after discovering the outage, an initial communications outage report, which shall include all pertinent information then available on the outage and shall be submitted in good faith.
 - (3) Not later than thirty days after discovering the outage, the provider shall submit electronically a final communications outage report, which shall include all pertinent information on the outage, including any information that was not contained in, or that has changed from that provided in, the initial report.
- (F) Each facilities-based LEC shall develop, implement, and maintain an emergency plan and make it available for review by commission staff. The plan shall include, but not be limited to, all of the following:
- (1) Procedures for maintaining and annually updating a list of those customers who have subscribed to the federal telecommunications service priority program, as identified in 47 C.F.R. 64, appendix A.
 - (2) Procedures for priority treatment in restoring out-of-service trouble of an emergency nature for customers with a documented medical or life-threatening condition.
 - (3) In addition to the telecommunications service priority program, each LEC shall develop policies and procedures regarding those customers who require priority treatment for out-of-service clearance. Such procedures shall include a table of restoration priority, including, but not limited to, subscribers such as police and fire stations, hospitals, key medical personnel, and other utilities.
 - (4) Procedures for restoring service to priority critical facilities customers.
 - (5) Identification and annual updates of all of the facilities-based LEC's critical facilities and reasonable measures to protect its personnel and facilities.
 - (6) Assessments and evaluations of telecommunications facilities available to provide back-up service capabilities.
 - (7) Procedures for after-action assessments and reporting following activation of any part of the emergency plan. An after-action report will be written and will include lessons learned, deficiencies in the response to the emergency, and deficiencies in the emergency plan.

- (8) A current list of the names and telephone numbers of the facilities-based LECs' emergency service personnel to contact and coordinate with in the event of any real or anticipated local or national threats to its ability to provide telecommunications service.
- (9) A current list of the names and telephone numbers of the facilities-based LEC's emergency service personnel that is made available to the commission's emergency coordinator, upon request.
- (10) A continuity of operations plan to assure continuance of minimum essential functions during a large scale event in which staffing is reduced. Such plans shall provide for:
 - (a) Plan activation triggers such as the world health organization's pandemic phase alert levels, widespread transmission within the United States, or a case at one or more locations within Ohio.
 - (b) Identification of a pandemic coordinator and team with defined roles and responsibilities for preparedness and response planning.
 - (c) Identification of minimal essential functions, minimal staffing required to maintain such essential functions, and personnel resource pools required to ensure continuance of those functions in progressive stages associated with a declining workforce.
 - (d) Identification of essential employees and critical inputs (e.g., raw materials, equipment, suppliers, subcontractor services/products, and logistics) required to maintain business operations by location and function.
 - (e) Policies and procedures to address personal protection initiatives.
 - (f) Policies and procedures to maintain lines of communication with the public utilities commission of Ohio during a declared emergency.
- (G) Each facilities-based LEC shall amend its emergency plan in accordance with the findings identified in the after-action assessment report required under paragraph (F)(7) of this rule.

SAC: 300659

State: OH

Telephone Service Company

Form 481 Line No. 1010 Descriptive document for Voice Services Rate Comparability

Line 1010 – Description of Voice Services Rate Comparability: Provide a detailed description of how your pricing of fixed voice services is no more than two standard deviations above the applicable national average urban rate for voice service, as published annually by the Wireline Competition Bureau, as required in 47 C.F.R. § 54.313(a)(10).

On April 16, 2015 the Wireline Competition Bureau announced results of the Urban Rate Survey for Voice Services; as part the FCC Public Notice DA 14-384. Referenced in this public notice are the results required to meet the rate comparability as noted:

“Based on the survey responses, the Bureau also calculated the reasonable comparability benchmark for voice services to be \$47.48

9. Id. at 17694, para. 84.”

As required Telephone Service Company hereby certifies that its current fixed voice services for residential subscribers as defined in the USF/ICC Transformation Order is below \$47.48.

SAC: 300659
State: OH
Telephone Service Company
Form 481 Line No. 1210 Lifeline Plans, Terms and Conditions

Telephone Service Company is in full compliance to all Federal Lifeline eligibility rules and regulations as well as Ohio Revised Code 4901:1-6-19, Lifeline Requirements, which states:

4901:1-6-19

- (A) An incumbent local exchange carrier (ILEC) that is an eligible telecommunications carrier (ETC) under 47 C.F.R. 54.201 shall implement lifeline service throughout the ILEC ETC's traditional service area for its eligible residential customers.
- (B) Lifeline service shall be a flat-rate, monthly, primary access line service with touch-tone service and shall provide all of the following:
 - (1) A recurring discount to the monthly basic local exchange service rate that provides for the maximum contribution of federally available assistance;
 - (2) Not more than once per customer at a single address in a twelve-month period, a waiver of all nonrecurring service order charges for establishing service;
 - (3) Free blocking of toll service, 900 service, and 976 service;
 - (4) A waiver of the federal universal service fund end user charge;
 - (5) A waiver of the telephone company's service deposit requirement.
- (C) The ILEC ETC may offer to lifeline service customers any other services and bundles or packages of service at the prevailing prices, less the lifeline discount.
- (D) The ILEC ETC also shall offer special payment arrangements to lifeline service customers that have past due bills for regulated local service charges, with the initial payment not to exceed twenty-five dollars before service is installed, and the balance for regulated local service charges to be paid over six, equal monthly payments. Lifeline service customers with past due bills for toll service charges shall have toll restricted service until the past due toll service charges have been paid or until the customer establishes service with another toll provider.
- (E) Every large ILEC required to implement lifeline service shall establish an annual marketing budget for promoting lifeline service and performing outreach regarding lifeline service. Every large ILEC shall work with the advisory board established in paragraph (F) to reach consensus, where possible, regarding an appropriate budget for promoting lifeline and performing outreach and regarding how the budget will be spent. All funds allocated to this budget shall be spent for the promotion and marketing of lifeline service and outreach regarding lifeline service and only for those purposes and not for any administrative costs of implementing lifeline service.

- (F) All activities relating to the promotion of, marketing of, and outreach regarding lifeline service provided by the large ILECs shall be coordinated through a single advisory board composed of staff of the public utilities commission, the office of the consumers' counsel (OCC), consumer groups representing low income constituents, two representatives from the Ohio association of community action agencies, and every large ILEC. The commission staff shall provide active leadership in the initial organization of the statewide board and the development of procedures and bylaws under which the board will operate. Commission staff shall, with the assistance of the office of the consumers' counsel, work with the advisory board to reach consensus on the organization of the board and all activities relating to the promotion of, marketing of, and outreach regarding lifeline service. However, where consensus is not possible, the commission's staff shall make the final determination. Decisions on the organization of the board and decisions of the advisory board including decisions on how the lifeline marketing, promotion, and outreach activities are implemented are subject to commission review.
- (G) All other aspects of an ILEC ETC's state-specific lifeline service shall be consistent with federal requirements. The rates, terms, and conditions for the ILEC's lifeline service shall be tariffed in accordance with rule 4901:1-6-11 of the Administrative Code.
- (H) Eligibility for lifeline service under this rule shall be based on either of the following criteria:
- (1) An individual's verifiable participation in any federal or state low-income assistance program that limits assistance based on household income. These programs include:
 - (a) Medical assistance under Chapter 5111. of the Revised Code (medicaid) or any state program that might supplant Medicaid;
 - (b) Supplemental nutritional assistance program (SNAP/food stamps);
 - (c) Supplemental security income (SSI) under Title XVI of the Social Security Act;
 - (d) Social security disability insurance - blind and disabled (SSDI);
 - (e) Federal public housing assistance, or section 8;
 - (f) Home energy assistance programs (HEAP, LIHEAP, E-HEAP);
 - (g) National school lunch program's free lunch program (NSL);
 - (h) Temporary assistance for needy families (TANF/Ohio works); or
 - (i) General assistance, including disability assistance (DA).

The commission may add or remove programs from this list as required by federal or state law.

- (2) Other verification that an individual's household income is at or below one hundred fifty per cent of the federal poverty level. ILEC ETC's may use any reasonable method of verification. Consistent with federal law, examples of acceptable documentation include the following:
- (a) State or federal income tax return;
 - (b) Current income statement or W-2 from an employer;
 - (c) Three consecutive months of current pay stubs;
 - (d) Social security statement of benefits;
 - (e) Retirement/pension statement of benefits;
 - (f) Unemployment/workmen's compensation statement of benefits;
 - (g) Any other legal document that would show current income (such as a divorce decree or child support document).
- (I) All ILEC ETCs must verify customer eligibility consistent with the federal communications commission's (FCC) requirements in 47 C.F.R. 54, to enroll customers into lifeline assistance who qualify through household income-based requirements.
- (J) The commission shall work with the appropriate state agencies that administer federal or state low-income assistance programs and with carriers to negotiate and acquire information necessary to verify an individual's eligibility and the data necessary to automatically enroll eligible persons for lifeline service.
- (K) To the extent that appropriate state agencies are able to accommodate automatic enrollment, every ILEC ETC shall automatically enroll customers into lifeline assistance who participate in a qualifying program.
- (L) An ILEC ETC shall provide written notification if the carrier determines that an individual is not eligible for lifeline service enrollment and shall provide the person an additional thirty days to prove eligibility.
- (M) An ILEC ETC shall provide written customer notification if a customer's lifeline service benefits are to be terminated due to failure to submit acceptable documentation for continued eligibility for that assistance and shall provide the customer an additional sixty days to submit acceptable documentation of continued eligibility or dispute the carrier's findings regarding termination of the lifeline service.

- (N) Commission staff will maintain on the commission's website a copy of boilerplate customer notices that are compliant with the FCC's requirements. Any ILEC ETC choosing to create and use its own customer notice shall submit its proposed notice to commission staff for approval.
- (O) An ILEC ETC shall establish procedures to verify an individual's continuing eligibility for both program and income-based criteria consistent with the FCC's requirements in 47 C.F.R. 54.409 to 54.410. ILEC ETCs shall maintain records to document compliance with these requirements and shall attest, as part of the periodic ETC certification process by the commission, that they comply with the FCC's requirements.
- (P) An ILEC ETC may recover through a customer billing surcharge on retail customers of the ILEC's telecommunications service other than lifeline service customers, any lifeline service discounts and any other lifeline service expenses that are not recovered through federal or state funding and that are approved by the commission under this paragraph. The surcharge may not include recovery of expenses related to the marketing and promotion of lifeline service. The surcharge may be established through one of the following means:
 - (1) An ILEC ETC that chooses to establish a customer billing surcharge to non-lifeline customers, to recover lifeline service discounts and expenses identified in this paragraph shall file a thirty-day application for tariff amendment (ATA). Such application may request recovery of lifeline service discounts that are not recovered through federal or state funding such as federal universal service fund end user charges, service connection charges, blocking of 900/976, recurring discount maximizing the contribution of federally available assistance, and recurring retail price differences between the frozen lifeline service rate and residential BLES rates, as well as lifeline service expenses that are not recovered through federal or state funding such as administrative expenses for the sole purpose of verifying the eligibility and enrolling of lifeline customers. An applicant must provide documentation to support its proposed surcharge and its compliance with this rule. Absent suspension or other commission action, the application shall be deemed approved and become effective on the thirty-first day or later date if requested by the company.
 - (2) An ILEC ETC requesting recovery of any expenses not specified in paragraph (P)(1) of this rule shall file an application with the commission, using the most up-to-date telecommunications filing form, under the TP-UNC case purpose code. An applicant must provide documentation to support its proposed customer billing surcharge and its compliance with this rule and must further support its request for recovery of any expenses not specified in paragraph (P)(1) of this rule with a detailed supporting memorandum. Absent suspension or commission action, the application shall be deemed approved and become effective on the one hundred twenty-first day or later date if requested by the company.
- (Q) If an ILEC ETC chooses to establish a customer billing surcharge to recover its lifeline expenses under paragraph (P)(1) or (P)(2) of this rule, the lifeline surcharge shall not appear in the section of the bill reserved for taxes and government-mandated charges as set forth in 47 C.F.R. 64.2400 to 64.2401.
- (R) An ILEC ETC that is authorized to establish a customer billing surcharge under either paragraph (P)(1) or (P)(2) of this rule shall annually file with the commission a report that identifies actual amounts recovered and the actual lifeline service discounts and any other lifeline service expenses incurred for the prior period. The company shall provide such data as necessary to enable the

commission to validate such amounts to ensure that the company did not over recover its approved expenses from customers. The commission shall establish for each such company the timeframe for filing this report when the commission approves any such billing surcharge. The annual filing may be contained in a request to adjust the billing surcharge in accordance with paragraph (P)(1) or (P)(2) of this rule, but shall be provided via a separate filing and docketed in a generic case number to be established by the commission, if no adjustment to the billing surcharge is sought. Any over-recovery or under-recovery shall be offset against or added to the next year's recovery.

- (S) Every ILEC ETC shall file with the commission in its annual assessment report the number of its customers who receive, at the time of filing of the report, lifeline service.
- (T) Upon request of commission staff, additional information regarding customer subscription to and disconnection of lifeline service shall be provided to commission staff in accordance with rule 4901:1-6-30 of the Administrative Code.

1221

The following local tariff provides the terms and conditions for voice telephony plans offered to Lifeline customers.

1222 and 1123

The flat rate service includes unlimited local calling service minutes of use. The local services offerings do not include any toll minutes of use. The rates for any toll usage are determined by the rate plans of the Toll Provider(s) that the customer selects.

MISCELLANEOUS SERVICES AND EQUIPMENT (Continued)

LIFELINE REQUIREMENTS

Telephone Service Company shall provide Lifeline service as defined in 47 C.F.R. § 54.401(a) on a non-discriminatory basis to all qualifying low-income customers. Telephone Service Company's Lifeline service offering shall comply with all applicable federal and state laws, including, but not limited to, 47 C.F.R. Part 54, Subpart E; the FCC's Lifeline reform order (Report and Order released February 6, 2012, WC Docket No, 11-42, et. al) and any subsequent clarifying orders; Section 4927.13, Revised Code; Rule 4901:1-6-19, Ohio Administrative Code; and, the Commission's nontraditional Lifeline service order (Finding and Order adopted May 23, 2012, Case No. 10-2377-TP-COI) and any subsequent entries and/or orders.

(T)

(N)

(N)

(D)

(D)

SAC: 300659

State: OH

Telephone Service Company

Response to Line 3010 – Milestone Certification (47 CFR §54.313(f)(1)(i))

Telephone Service Company hereby certifies that throughout 2014, it took reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 4 Mbps downstream/1 Mbps upstream, and currently, it is taking reasonable steps to provide upon reasonable request actual speeds of at least 10 Mbps downstream/1 Mbps upstream broadband service at with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas as determined in an annual survey, and that requests for such service are met within a reasonable amount of time.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hanson Communications, Inc.
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hanson Communications, Inc. and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2014 and 2013, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hanson Communications, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

St. Paul, Minnesota
March 31, 2015

Olsen Thielen & Co., LTD

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET DECEMBER 31, 2014 AND 2013

ASSETS		
	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash	\$ 2,677,017	\$ 2,207,197
Due from Customers, Less Allowance for Uncollectibles of \$9,500	202,407	110,328
Other Accounts Receivable, Less Allowance for Uncollectibles of \$9,250	769,182	867,160
Income Tax Receivable	2,839	2,839
Materials and Supplies	67,372	66,348
Total Current Assets	<u>3,718,817</u>	<u>3,253,872</u>
INVESTMENTS AND OTHER ASSETS:		
Intangible Assets, Net	17,489,555	20,441,264
Other Investments	2,397,956	2,955,167
Other	617,537	294,284
Total Investments and Other Assets	<u>20,505,048</u>	<u>23,690,715</u>
PROPERTY, PLANT AND EQUIPMENT:		
Telecommunications Plant in Service	96,755,822	95,562,977
Plant Under Construction	—	22,500
Other Property and Equipment	22,663,346	21,297,220
Total	119,419,168	116,882,697
Less Accumulated Depreciation	94,487,687	89,411,919
Net Property, Plant and Equipment	<u>24,931,481</u>	<u>27,470,778</u>
 TOTAL ASSETS	 <u>\$ 49,155,346</u>	 <u>\$ 54,415,365</u>

The accompanying notes are an integral part of the consolidated financial statements.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Continued) DECEMBER 31, 2014 AND 2013

LIABILITIES AND STOCKHOLDERS' EQUITY		
	2014	2013
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	\$ 2,650,000	\$ 2,630,000
Accounts Payable	788,051	934,400
Payable to Affiliates	288,308	306,207
Accrued Taxes	320,858	346,656
Other Accrued Liabilities	589,409	568,757
Total Current Liabilities	<u>4,636,626</u>	<u>4,786,020</u>
OTHER LIABILITIES:		
Long-Term Debt	18,135,714	20,798,455
Other Liabilities	—	189,254
Total Other Liabilities	<u>18,135,714</u>	<u>20,987,709</u>
STOCKHOLDERS' EQUITY:		
Controlling Interest:		
Common Stock - No Par Value, 200,000 Shares Class A (Voting)		
Authorized; 19,800,000 Class B (Nonvoting) Authorized;		
150,000 Shares Class A Issued and Outstanding; 14,850,000		
Shares Class B Issued and Outstanding	2,035,649	2,035,649
Paid-in Capital	495,742	495,742
Retained Earnings	24,917,008	27,129,691
Total Controlling Interest	27,448,399	29,661,082
Noncontrolling Interest	(1,065,393)	(1,019,446)
Total Stockholders' Equity	<u>26,383,006</u>	<u>28,641,636</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 49,155,346</u>	<u>\$ 54,415,365</u>

The accompanying notes are an integral part of the consolidated financial statements.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Local Network	\$ 3,476,918	\$ 3,490,716
Network Access	7,996,537	8,455,731
Nonregulated Telecommunications	9,970,669	9,443,463
Cable Television	5,939,303	5,508,295
Miscellaneous, Net	578,181	646,938
Total Operating Revenues	<u>27,961,608</u>	<u>27,545,143</u>
OPERATING EXPENSES:		
Plant Specific	3,302,184	3,430,117
Depreciation and Amortization	8,297,830	8,720,067
Plant Support	1,767,473	1,411,078
Customer	1,477,966	1,454,853
Corporate	2,470,426	2,586,038
Nonregulated Telecommunications	3,956,899	3,752,583
Cable Television	5,601,825	5,168,574
Miscellaneous	549,590	431,834
Taxes	288,820	312,325
Total Operating Expenses	<u>27,713,013</u>	<u>27,267,469</u>
OPERATING INCOME	<u>248,595</u>	<u>277,674</u>
OTHER INCOME (EXPENSE):		
Gain on Sale of Investment	982,680	124,228
Investment Income	248,258	278,732
Interest Expense	(630,412)	(690,556)
Income Tax Expense	(2,500)	(5,470)
Net Other Income (Expense)	<u>598,026</u>	<u>(293,066)</u>
NET INCOME (LOSS)	846,621	(15,392)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>45,947</u>	<u>19,761</u>
NET INCOME ATTRIBUTABLE TO HANSON COMMUNICATIONS, INC.	<u>\$ 892,568</u>	<u>\$ 4,369</u>

The accompanying notes are an integral part of the consolidated financial statements.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY **YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Common Stock		Paid-in	Retained	Noncontrolling	
	Shares	Amount	Capital	Earnings	Interest	Total
BALANCE on December 31, 2012	15,000,000	\$ 2,035,649	\$ 495,742	\$ 31,088,321	\$ (1,065,174)	\$ 32,554,538
Net Income (Loss)				4,369	(19,761)	(15,392)
Capital Contributions -						
Noncontrolling Interest					65,489	65,489
Dividends				(3,962,999)		(3,962,999)
BALANCE on December 31, 2013	15,000,000	2,035,649	495,742	27,129,691	(1,019,446)	28,641,636
Net Income (Loss)				892,568	(45,947)	846,621
Dividends				(3,105,251)		(3,105,251)
BALANCE on December 31, 2014	<u>15,000,000</u>	<u>\$ 2,035,649</u>	<u>\$ 495,742</u>	<u>\$ 24,917,008</u>	<u>\$ (1,065,393)</u>	<u>\$ 26,383,006</u>

The accompanying notes are an integral part of the consolidated financial statements.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ 846,621	\$ (15,392)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided By Operating Activities:		
Depreciation and Amortization	8,297,830	8,720,067
CoBank Patronage Refund	(60,366)	(68,721)
Gain on Sale of Investment	(982,680)	(124,228)
Changes in Assets and Liabilities:		
Due from Customers	(92,079)	(13,859)
Other Accounts Receivable	97,979	(1,330)
Prepaid Expenses	—	31,962
Accounts Payable	(146,351)	11,403
Accrued Taxes	(25,798)	(3,153)
Other Accrued Liabilities	20,654	(63,141)
Net Cash Provided By Operating Activities	<u>7,955,810</u>	<u>8,473,608</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property, Plant and Equipment	(2,806,822)	(2,417,088)
Acquisition, Net of Cash Acquired	—	(484,305)
Increase in Materials and Supplies	(1,024)	(3,302)
Net Change in Payable to Affiliates	(17,899)	7,117
Sale of Investments, Net	1,600,257	359,624
Capital Contributions	—	65,489
Other	(323,256)	(19,371)
Net Cash Used In Investing Activities	<u>(1,548,744)</u>	<u>(2,491,836)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments of Long-Term Debt	(2,642,741)	(3,295,994)
Decrease in Other Liabilities	(189,254)	(100,110)
Dividends	(3,105,251)	(3,962,999)
Net Cash Used In Financing Activities	<u>(5,937,246)</u>	<u>(7,359,103)</u>
NET CHANGE IN CASH	469,820	(1,377,331)
CASH at Beginning of Year	<u>2,207,197</u>	<u>3,584,528</u>
CASH End of Year	<u>\$ 2,677,017</u>	<u>\$ 2,207,197</u>

The accompanying notes are an integral part of the consolidated financial statements.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company's principal line of business is providing local telephone service, internet, cable television service and access to long distance telephone service through its local exchange network. The revenues reported on the statement of income reflect the relative importance of each type of service. The principal market for these telecommunications services are local residential and business customers residing in each of the exchanges the Company serves in Minnesota, Ohio, South Dakota and Nebraska.

Basis of Accounting

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America including certain accounting practices prescribed by the Federal Communications Commission (FCC) and the state regulatory commissions in the states where the Company operates.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Company has evaluated for recognition or disclosure the events or transactions that occurred through March 31, 2015, the date the financial statements were available to be issued.

Consolidation

The consolidated financial statements include the parent company, Hanson Communications, Inc. and its subsidiaries. All subsidiaries are wholly-owned except Dave, Bruce & S, LLC, which is 64.6% owned. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Receivables

Receivables are stated at the amount the Company expects to collect from outstanding balances. The Company provides for probable uncollectible amounts through charges to earnings and credits to valuation allowances based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through charges to the valuation allowances and credits to the receivable accounts. Changes in the valuation allowances have not been material to the financial statements.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Materials and Supplies

Materials and supplies are recorded at average cost.

Property and Depreciation

Property and equipment are recorded at original cost. Additions, improvements or major renewals are capitalized. If telecommunication plant is sold, retired or otherwise disposed of in the ordinary course of business, the cost plus removal costs less salvage is charged to accumulated depreciation, while the original cost is credited to the asset accounts. Any gains or losses on non-telecommunications property and equipment retirements are reflected in the current year operations.

Depreciation is computed using the straight-line method based on estimated useful lives of five to forty years. Depreciation expense was \$5,281,121 in 2014 and \$5,706,607 in 2013. Depreciation is computed using the straight-line method over the estimated useful lives of five to forty years. Composite depreciation rates are:

	<u>2014</u>	<u>2013</u>
Telecommunications Plant	4.2%	4.7%
Other Property and Equipment	6.0	6.5

Other Investments

The equity method is used for partnership interests of greater than 5%. Under the equity method, the Company's investment reflects the original cost and recognition of the Company's share of undistributed earnings or losses of the entity. Other long-term investments are accounted for under the cost method of accounting. This method requires the Company to periodically evaluate whether non-temporary decreases in values of the investments have occurred, and if so, to write the investments down to net realizable values. As the Company is exempt from disclosing estimated fair values, the Company does not estimate fair values for cost method investments if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair values.

Intangible Assets

Intangible assets consist of customer lists and goodwill. Intangible assets with a determinable life are amortized over the useful life. Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired. On January 16, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-02 *Intangibles - Goodwill and Other (Topic 350): Accounting for Goodwill*, which provides an accounting alternative for private companies related to the subsequent accounting for goodwill. While the ASU is not effective until annual periods beginning after December 15, 2014, early adoption is permitted. In 2013, the Company adopted the alternative accounting approach for the subsequent accounting for goodwill as provided for in ASU No. 2014-02. As such, the Company began to amortize goodwill on a straight-line basis over a period of ten years in 2013. Also pursuant to the accounting alternative, the Company will test its goodwill for impairment only upon the occurrence of an event or circumstance that may indicate the fair value of the entity as less than its carrying amount.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenues are recognized when earned. Local service and originating intrastate access services are based on tariffs filed with the state regulatory commission and retained by the Company, except Fort Randall Telephone Company's intrastate access revenues are based on cost based settlements filed with the Local Exchange Carrier Association with the South Dakota Public Service Commission. Interstate and terminating intrastate access revenues are billed based on tariffs filed with the FCC, reported to the National Exchange Carrier Association, and distributed based on average schedule and cost based settlements which include eligible funds governed by the Universal Service Administrative Company. Access revenues based on cost are estimated pending completion of final cost studies. Non-regulated revenue for broadband, CATV, customer premise equipment, and other miscellaneous services is highly competitive and based on open market conditions.

Retirement Plan

The Company has a defined contribution profit sharing plan and contributed 5% in 2014 and 2013 of qualified salaries to the plan. Plan expense was \$240,029 and \$225,178 in 2014 and 2013.

Presentation of Taxes Collected From Customers

Sales, excise, and other taxes are imposed on most of the Company's sales to nonexempt customers. The Company collects the taxes from customers and remits the entire amounts to the governmental authorities. The Company's accounting policy is to exclude the taxes collected and remitted from revenues and expenses.

Income Taxes

The Company has elected to have its income taxed to the shareholders under Subchapter S of the Internal Revenue Code. Therefore, the statements do not include a provision for income taxes other than the state minimum fee expense and built-in gains tax. Income tax payments were \$2,500 and \$5,470 in 2014 and 2013.

The Company reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is not subject to income taxes as a pass-through entity. The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Company has identified no significant income tax uncertainties.

The Company's federal and state income tax returns are open to tax examination for tax years 2011 through 2013.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - OTHER INVESTMENTS

Other investments consist of the following:

Company	2014				2013 Total
	Cost	Cumulative Income (Loss)	Distribu- tions	Total	
Equity Method:					
KTC AWS Limited Partnership	\$ 764,653	\$ (106,969)	\$ (657,684)	\$ -	\$ 623,531
Midwest AWS Limited Partnership	296,594	117,967	(414,561)	-	-
Cost Method:					
CoBank Stock	1,507,395	-	-	1,507,395	1,447,029
Horizon Telcom, Inc.	356,975	-	-	356,975	356,975
RTIC Holding Company	90,000	-	-	90,000	70,000
Other	443,586	-	-	443,586	457,632
Total	<u>\$ 3,459,203</u>	<u>\$ 10,998</u>	<u>\$ (1,072,245)</u>	<u>\$ 2,397,956</u>	<u>\$ 2,955,167</u>

During 2014, the Company sold its investment in KTC AWS Limited Partnership for \$1,585,710 and recognized a gain of \$982,680. During 2013, Midwest AWS Limited Partnership sold its investment in 700 Mhz and AWS licenses. The Company received distributions of \$414,560 and recognized a gain of \$124,228.

NOTE 3 - INTANGIBLE ASSETS

The Company has recorded goodwill as a result of acquiring the Telephone Service Company, Zumbrota Telephone Company, Fort Randall Telephone Company, Clara City Telephone Company, Middle Point Telephone Company and several CATV exchanges which were added to Fort Randall Cable Systems. The purchase price of these acquisitions was allocated among the acquired assets, goodwill, non-compete agreements, and customer lists.

Customer lists are being amortized on a straight-line basis over ten years. Goodwill is amortized on a straight-line basis over ten years.

The components of the Company's identified intangible assets are as follows:

	2014			Net Balance
	Cost	Accumulated Amortization	Impairment	
Amortized Intangibles:				
Goodwill	\$ 29,206,600	\$ (4,922,881)	\$ (10,000,000)	\$ 14,283,719
Non-Compete	1,000	(1,000)	-	-
Customer Lists	13,367,902	(10,162,066)	-	3,205,836
Totals	<u>\$ 42,575,502</u>	<u>\$ (15,085,947)</u>	<u>\$ (10,000,000)</u>	<u>\$ 17,489,555</u>

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - INTANGIBLE ASSETS (Continued)

	2013		
	Cost	Accumulated Amortization	Net Balance
Amortized Intangibles:			
Goodwill	\$ 29,206,600	\$ (3,246,212)	\$ 15,960,388
Non-Compete	1,000	(1,000)	—
Customer Lists	13,367,902	(8,887,026)	4,480,876
Totals	<u>\$ 42,575,502</u>	<u>\$ (12,134,238)</u>	<u>\$ 20,441,264</u>

Amortization expense is as follows:

	Goodwill	Customer List	Total
Actual Amortization Expense:			
2014	\$ 1,676,669	\$ 1,340,040	\$ 3,016,709
2013	1,676,669	1,336,791	3,013,460
Five Year Expected Amortization Expense:			
2015	\$ 1,676,669	\$ 1,336,831	\$ 3,013,500
2016	1,676,669	1,301,231	2,977,900
2017	1,676,669	567,774	2,244,443
2018	1,676,669	—	1,676,669
2019	1,676,669	—	1,676,669

NOTE 4 - ACQUISITIONS

On April 1, 2013, the Company acquired The Middle Point Home Telephone Company, a telecommunications company in Ohio. The location of this system is within (or close proximity to) the Company's current customer base and will result in the ability to offer expanded services to existing and new customers. The telephone company's results of operation have been included in the Company's statement of income since the date of the acquisition.

The 2013 purchase has been accounted for using the acquisition method of accounting for a business combination. The purchase price was \$644,633 cash consideration and was recognized at fair value in the acquisition:

Current Assets	\$ 182,930
Other Assets	177,400
Property, Plant and Equipment	388,706
Current Liabilities	(41,867)
Other Liabilities	(16,192)
Long-Term Debt	(46,344)
Purchase Price	<u>\$ 644,633</u>

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

Long-term debt is as follows:

	2014	2013
CoBank, ACB	\$ 19,875,000	\$ 22,375,000
PNC Equipment Finance	910,714	1,053,455
Total	20,785,714	23,428,455
Less Amount Due Within One Year	2,650,000	2,630,000
Long-Term Debt	<u>\$ 18,135,714</u>	<u>\$ 20,798,455</u>

The CoBank note is payable in monthly installments of principal, plus interest at a variable rate. The loan is due on November 18, 2019 and is secured by property and equipment and a pledge of stock of all subsidiaries. The interest rate was 2.67% and 2.94% at December 31, 2014 and 2013. Unadvanced CoBank funds were \$2,000,000 at December 31, 2014.

CoBank is a cooperative owned and controlled by its customers. Each customer borrowing from the bank on a patronage basis shares in the bank's net income through payment of patronage refunds. Patronage refunds included in investment income were \$241,463 in 2014 and \$274,889 in 2013. Approximately 75% of patronage refunds are received in cash, with the balance in stock in the bank. The Company cannot predict what patronage refunds might be in future years.

Payments on PNC equipment are due in monthly installments between \$11,565 and \$15,193 including interest of 3.60% over the 30 day "LIBOR Rate". The interest rate was 3.80% at December 31, 2014 and 2013. The note matures December 1, 2015, but is expected to be refinanced, and is secured by an aircraft.

Cash payments for interest were \$601,773 in 2014 and \$714,420 in 2013.

Principal payments required during the next five years are: 2015 - \$2,650,000; 2016 - \$2,660,000; 2017 - \$2,670,000; 2018 - \$2,680,000; and 2019 - \$10,065,000.

The Company must comply with CoBank loan covenants including several financial ratios that must be met on a quarterly and annual basis. Distributions to stockholders are limited to consolidated taxable income multiplied by the highest effective Federal and State tax rates, including carryovers from the prior year.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Company does business with other companies that are related through common ownership. Intercompany transactions during the period related to wages, management and accounting, and cable and related supplies paid by one company for another. The total of these transactions was \$2,246,662 in 2014 and \$2,019,904 in 2013.

Payable to affiliates consist of liabilities to Cable Plowing, Inc. of \$288,308 at December 31, 2014 and \$306,207 at December 31, 2013. Intercompany balances do not bear interest.

HANSON COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - BUY-SELL AGREEMENT

The Company has an agreement with its stockholders and Hanson Communications Company, a management LLC owned by some of the stockholders of the Company, whereby upon the occurrence of certain events, the stockholders, Hanson Communications Company and/or the Company, shall have the right or the obligation to purchase all or part of a stockholders' common stock.

NOTE 8 - NONCONTROLLING INTEREST

The net income or loss attributable to the noncontrolling members' interest represents 35.4% of the net income or loss of the subsidiary, Dave, Bruce & S, LLC in 2014 and 2013.

NOTE 9 - CONCENTRATIONS

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash investments and trade receivables. The Company places its cash investments with high credit quality financial institutions and, generally limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers and their dispersion across many different industries. The Company had a credit risk concentration as a result of depositing \$1,099,796 of funds in excess of Federal Deposit Insurance Corporation (FDIC) coverage in three banks.

In October 2011, the FCC approved an Order on Inter-carrier Compensation and Universal Service Fund (USF) reform and announced the issuance of a Further Notice of Proposed Rulemaking on long-term USF reform and transition as part of the National Broadband Plan. The Order required the transition of carrier access rates to decline over a nine year transition period; however in an attempt to ease the transition the access revenue was frozen based on 2011 revenue and will be reduced incrementally annually during the transition period. The Order also addresses local service rates by establishing benchmarks for high cost support eligibility to prevent USF from supporting artificially low end user rates. In addition, for cost companies the Order and Proposed Rulemaking outlined caps on capital expenditures and operating expenses recoverable from the Universal Service Fund. Additional reporting and oversight requirements continue to be implemented on an annual basis. In 2014 and 2013, the Company received 29% and 31% of its revenues from network access, including assistance provided by the Federal Universal Service Fund.

A significant portion of the Company's revenues are collected from long distance carriers in the telephone industry, and consequently, the Company is directly affected by the financial well being of the industry. The continued decline of access rates and elimination of wireless access based on enacted regulation have reduced the amount of disputes between the Company and the long distance carriers resulting in a significant reduction in credit risk. Also, the credit risk associated with accounts receivable is minimized due to the large number of long distance carriers, and historically, credit losses have not been significant. In addition, inter-carrier access charges are subject to dispute and are occasionally contested by the carrier.